

**House Foreign Affairs Committee  
Tom Lantos Human Rights Commission**

**Hearing  
On  
Considerations on Economic Sanctions**

**4 October 2022 - 11:00am  
Virtual Hearing**

**Statement of Dr Erica Moret, Senior Researcher at the Global Governance Centre &  
Centre for Humanitarian Studies at the Graduate Institute, Geneva; Senior Fellow on  
Sanctions & Humanitarian Affairs at the United Nations University Center for Policy  
Research & Policy Director at Polisync – Centre for Policy Engagement**

Co-Chairs McGovern and Smith; Distinguished Members of the Commission: thank you for the opportunity to testify on humanitarian impacts of economic sanctions.

In spite of the growing popularity of sanctions and their versatility in tackling a range of global challenges, the spotlight is again on their unintended humanitarian consequences. This comes two decades after the creation of targeted sanctions – designed to minimize negative impacts on civilians following the use of comprehensive sanctions, or embargos, against Iraq, the former-Yugoslavia, Cuba and Haiti. As the global use of sanctions reaches a new critical juncture, it is important to reassess how these important instruments of foreign and security policy can be used to best effect, and in a way that safeguards their legitimacy, while minimizing humanitarian impacts.<sup>1</sup>

I have been working on multilateral and autonomous sanctions for 20 years. During this time, I have explored questions of impacts and effectiveness of economic sanctions, imposed against targets in Russia, Iran, North Korea, Syria, Venezuela, Afghanistan and Cuba, as well as in relation to chemical weapons, nuclear non-proliferation, cyber security, modern slavery/ human trafficking and disinformation. For the past decade, I have specialized in humanitarian impacts of sanctions, including in relation to vulnerable civilian populations, supply chains of essential goods, financial inclusion and humanitarian assistance. I will draw on this work today, which spans research and multi-stakeholder engagement exploring solutions to these challenges.<sup>2</sup> This includes initiatives conducted with the Governments of the United States, United Kingdom, Switzerland, France and Canada, as well as with the United Nations, European Union and the humanitarian and finance sectors.<sup>3</sup>

---

<sup>1</sup> Moret, Erica (2022) “More Civilian Pain than Political Gain (Again?): The Demise of Targeted Sanctions and Associated Humanitarian Impacts”, in Andrea Charron and Clara Portela (eds) *Multilateral Sanctions Revisited: Lessons Learned from Margaret Doxey*, McGill Queen's University Press, Kingston.

<sup>2</sup> See, for example, the Swiss-EU-UK-World Bank “Compliance Dialogue on Syria-Related Humanitarian Payments” (<https://www.graduateinstitute.ch/research-centres/global-governance-centre/when-money-cant-buy-food-and-medicine-banking-challenges>) and the Swiss-EU funded multi-stakeholder dialogues on de-risking as part of the “Presence, Proximity Protection Project” (covering protected humanitarian banking channels; digital innovations in the remittance market to aid financial inclusion; common stances among donors on the need to use hawala in humanitarian financing, political mechanisms to support humanitarian trade in financially excluded sanctioned countries and creation of a monitoring tool for humanitarian actors to capture sanctions’ impacts on their work).

<sup>3</sup> For further details please see <https://www.graduateinstitute.ch/discover-institute/erica-moret>

Sanctions are being used by a growing number of governments and organizations against an increasing number of targets around the world. They are also being deployed in relation to a burgeoning range of global challenges and covering an expanding portion of the globe's population. Overlapping (autonomous, and sometimes multilateral) sanctions regimes are becoming the norm, while their cumulative impacts remain poorly understood. Furthermore, sanctions are often imposed alongside other regulations, such as those seeking to tackle money laundering, terrorist financing and the trade in dual use goods. Hard-hitting sanctions against strategically important sectors, such as finance and energy, are also becoming more commonplace (particularly those of the US), representing a turn away from the more carefully targeted measures that characterized the early 2000s.<sup>4</sup> Many contemporary sanctions regimes can no longer be considered to be "targeted" and some – such as the cases of Syria, Iran, Venezuela and DPRK/ North Korea – have started to resemble *de-facto* comprehensive sanctions regimes, mired by a range of novel legal, ethical and logistical constraints. This complexity is further compounded through the global reach of the US dollar and the United States' use of extraterritorial (or secondary) sanctions. Cumulatively, it contributes to the worsening phenomenon of financial sector derisking and over-compliance (or the "chilling effect") that now permeates the wider private and not-for profit sectors.

### *Impacts on civilian populations*

Demonstrating direct causal effects of sanctions remains a methodological challenge as they do not exert an impact in a vacuum. Reliable data can be hard to access in authoritarian regimes and the topic also forms the focus of highly politicized narratives, and sometimes sophisticated disinformation campaigns, which seek to delegitimize autonomous sanctions. In spite of this, a range of evidence-based studies suggest that sanctions can have an impact on ordinary civilians in a number of ways.<sup>5</sup> First, sectoral energy and financial sector bans appear to have the greatest impact on livelihoods of ordinary populations. Second, inflation and economic contraction (often deliberate outcomes of economic sanctions) can limit demand for exports and result in a lack of foreign capital (and other inputs needed for production).<sup>6</sup> This, in turn, can hinder private investment and result in cuts to social spending, while leading to a lower demand for labor, putting downward pressure on real wages and resulting in increasing unemployment. In heavily sanctioned countries, household income can be squeezed at the same time as prices for food and other goods increase. This is exacerbated in contexts where diaspora groups find it harder to send remittances to their relatives in sanctioned jurisdictions (important in light of the fact that remittances can serve as a vital lifeline at times of economic stress). Impacts are especially marked on vulnerable groups, including women, children,<sup>7</sup> refugee groups, those on fixed incomes (such as the elderly) and those suffering from chronic health problems.

---

<sup>4</sup> Moret, Erica (2015) "Humanitarian Impacts of Economic Sanctions on Iran and Syria" in *European Security*. Vol 24. Issue 1, <https://www.tandfonline.com/doi/abs/10.1080/09662839.2014.893427>

<sup>5</sup> Debarre, Alice (2019) "Safeguarding Humanitarian Action in Sanctions Regimes" International Peace Institute, IPI, New York; Gillard, Emanuela-Chiara (2017) "Research Recommendations for Reducing Tensions in the Interplay Between Sanctions, Counterterrorism Measures and Humanitarian Action", Chatham House, August.

<sup>6</sup> Batmanghelidj, Esfandiyar & Moret, Erica (2022) "The Hidden Toll of Sanctions: Why Washington Must Reckon With the Devastating Inflation Its Policies Cause", *Foreign Affairs*, January 17, <https://www.foreignaffairs.com/articles/world/2022-01-17/hidden-toll-sanctions>

<sup>7</sup> Pelter, Zoë, Teixeira, Camila & Moret, Erica (2022) *Sanctions and their Impact on Children*, UNICEF, February, [https://repository.graduateinstitute.ch/record/299852?\\_ga=2.180166244.1950720973.1666341945-1136942740.1659347694](https://repository.graduateinstitute.ch/record/299852?_ga=2.180166244.1950720973.1666341945-1136942740.1659347694)

Financial sector derisking – caused in part by the increased complexity and reach of US sanctions regimes – has been accelerating around the world in recent years. Numerous countries now suffer from total or partial financial exclusion as a result of the withdrawal of financial institutions, signifying that there is no longer a way to execute payments through formal banking channels and other regulated payment mechanisms. Some, such as North Korea and Sudan, have been completely cut off from access to international banking services.<sup>8</sup> Syria<sup>9</sup> and Afghanistan<sup>10</sup> are cases where remaining banking channels have declined dramatically in recent years and where banking services are now unavailable to many.

The rapid decline in the remaining number of active correspondent banking relationships (CBRs) to certain countries is described as a “global crisis” by the G20, World Bank,<sup>11</sup> International Monetary Fund (IMF), Financial Stability Board (FSB) and the Financial Action Task Force (FATF).<sup>12</sup> Overcompliance is also prevalent in wider financial services (such as investment and insurance) as well as in wider trade. Firms involved in supply chains of essential goods are also subject to these trends,<sup>13</sup> not only those trading in food, medicines and vaccines, but also in relation to shipping, technology and logistics. This results in widely documented challenges such as delays, inflated costs and increased bureaucracy, at best, or challenges accessing functioning financing channels or essential goods, at worst.<sup>14</sup> Also significant for global peace and stability, as well as for US national security considerations, is that financial exclusion has also been shown to serve as a driver for the onset of new conflicts, the rise in extremist ideologies, gender inequality and human rights abuses, such as modern slavery and human trafficking.<sup>15</sup> It is vital that this vicious circle

---

<sup>8</sup> Sue Eckert, Kay Guinane, and Hall, Andrea (2017), *Financial Access for US Nonprofits*, Charity & Security Network, February, Charity & Security Network  
[https://www.charityandsecurity.org/system/files/FinancialAccessFullReport\\_2.21%20\(2\).pdf](https://www.charityandsecurity.org/system/files/FinancialAccessFullReport_2.21%20(2).pdf)

<sup>9</sup> For details, see <https://www.graduateinstitute.ch/research-centres/global-governance-centre/compliance-dialogue-syria-related-humanitarian-payments>

<sup>10</sup> Moret, Erica (2022) “Life and Death: NGO access to financial services in Afghanistan”, Norwegian Refugee Council, January,

<sup>11</sup> World Bank (2015), *Report on the G-20 Survey on De-risking Activities in the Remittance Market*, October, <http://documents.worldbank.org/curated/en/679881467993185572/pdf/101071-WP-PUBLIC-GPFI-DWG-Remittances-De-risking-Report-2015-Final-2.pdf>; <https://documents1.worldbank.org/curated/en/113021467990964789/pdf/101098-revised-PUBLIC-CBR-Report-November-2015.pdf>

<sup>12</sup> International Monetary Fund (IMF) (2016), ‘The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action’, June, [www.imf.org/external/pubs/ft/sdn/2016/sdn1606.pdf](http://www.imf.org/external/pubs/ft/sdn/2016/sdn1606.pdf); Financial Stability Board (FSB) (2015), ‘Report to the G20 on Actions taken to Assess and Address the Decline in Correspondent Banking’, November, [www.fsb.org/wp-content/uploads/Correspondent banking -report -to -G20 -Summit .pdf](http://www.fsb.org/wp-content/uploads/Correspondent%20banking%20report%20to%20G20%20Summit.pdf); Financial Services Board, *Correspondent Banking Data Report* (2017); <http://www.fsb.org/wp-content/uploads/P040717-4.pdf>; Financial Action Task Force (FATF), ‘FATF Takes Action to Tackle De-risking’ (2015), October, [www.fatfgafi.org/publications/fatfrecommendations/documents/fatf-action-to-tackle-de-risking.html](http://www.fatfgafi.org/publications/fatfrecommendations/documents/fatf-action-to-tackle-de-risking.html)

<sup>13</sup> This is the subject of a study which the author coordinates at the Graduate Institute called “When Money Can’t Buy Food and Medicine: Banking Challenges in The International Trade of Vital Goods and their Humanitarian Impact in Sanctioned Jurisdictions”, funded by the Swiss Network of International Studies (SNIS), <https://www.graduateinstitute.ch/communications/news/when-money-cant-buy-food-and-medicine-banking-challenges-international-trade>

<sup>14</sup> The author is currently authoring a study (forthcoming 2022) on private sector challenges in Afghanistan in light of problems associated with financial sector derisking and private sector overcompliance linked to sanctions, on behalf of the United Nations Development Programme (UNDP), with support from the Istanbul International Centre for Private Sector in Development (IICPSD), the Norwegian Refugee Council (NRC) and Fintech for International Development (F4ID).

<sup>15</sup> Erica Moret (2022) *What Role for Financial Sanctions in Tackling Modern Slavery and Human Trafficking?*, UNU-CPR FAST Initiative, [http://collections.unu.edu/eserv/UNU:8896/UNU\\_FAST\\_FinancialSanctions.pdf](http://collections.unu.edu/eserv/UNU:8896/UNU_FAST_FinancialSanctions.pdf); Kuntay Celik (2021), *Impact of the FATF Recommendations and their Implementation on Financial Inclusion*, World Bank, Washington DC,

should be avoided if sanctions-related derisking is not to serve as a catalyst for these types of instability and inequality.

### *Impacts on humanitarian assistance*

Sanctions and related regulations also impact on not-for-profit organizations (NPOs), including those providing humanitarian assistance. Challenges include confusion over permissible activities and difficulties navigating multiple sanctions regimes and other regulations. They also lead to increased costs and resourcing requirements (diverting humanitarian funds from end-beneficiaries); perceived tensions in NPOs' ability to meet international humanitarian law (IHL) obligations, and increasingly restrictive donor agreements.<sup>16</sup> There is widespread consensus among the humanitarian community that current licensing processes employed by the United States and other partners are not currently fit-for-purpose. Accompanying guidance is typically not accessible or clear enough (especially for NPOs outside the US). Comfort letters and safe harbor documents do not always provide enough to reassure banks to continue providing NPOs with bank accounts or servicing humanitarian payments. NPOs are increasingly forced to make use of less regulated payment channels, such as hawala or cross-border bulk cash transfers. Cumulatively, these pressures result in less humanitarian assistance reaching areas where the needs are the most acute. Ultimately, it is the most vulnerable communities in these countries that suffer, and resilience is worn down.

### *Mapping potential solutions*

Some tentative steps have been taken in the United States in the last 18 months to address some of the humanitarian challenges associated with contemporary sanctions practices, though they do not yet address systemic drivers of the problem at their source. This has included the Treasury 2021 sanctions review, the resumption of the US trisector group on derisking,<sup>17</sup> the recent Government Accountability Office (GAO) report relating to derisking<sup>18</sup> and the creation of a number of new administrative posts relating to sanctions coordination and evaluation. Furthermore, US general licenses (GLs) created in relation to targets in Afghanistan since the Taliban's return to power on 15 August 2021 (GLs 14-20) are widely recognized as a benchmark for other sanctions regimes. Elsewhere, over 40 initiatives and research projects have been carried out over the past decade that propose solutions to these complex problems.<sup>19</sup> Nevertheless, the situation has only got worse, with a growing number of countries increasingly suffering direct and indirect humanitarian consequences of ever-more sweeping sanctions regimes. Many proposed solutions have lacked appropriate resourcing or financing, while others have not made it past the pilot stage. The United States, with its close partners, such as the EU, UK, Canada and

---

<https://documents1.worldbank.org/curated/en/597781637558061429/pdf/Impact-of-the-FATF-Recommendations-and-their-Implementation-on-Financial-Inclusion-Insights-from-Mutual-Evaluations-and-National-Risk-Assessments.pdf>.

<sup>16</sup> Daher, Joseph & Moret, Erica (2020) "Invisible Sanctions: How over-compliance limits humanitarian work on Syria", July, <https://www.impact-csrd.org/invisible-sanctions/>

<sup>17</sup> Composed of government (donors and regulators), the financial sector and humanitarian community.

<sup>18</sup> The National Defense Authorization Act for Fiscal Year 2021 contained a provision for the GAO to lay out options that could help address the problem of derisking, to which the US Department of the Treasury is required to respond. These recommendations are contained in United States Government Accountability Office (2021) "Bank Secrecy Act: Views on Proposals to Improve Banking Access for Entities Transferring Funds to High-Risk Countries", Report to Congressional Committees, December, <https://www.gao.gov/assets/gao-22-104792.pdf>

<sup>19</sup> As reviewed in Moret, Erica (2021). "Time to act: harmonizing global initiatives and technology-based innovations addressing de-risking at the interfacing sanctions-counterterrorism-humanitarian nexus", International sanctions: improving implementation through better interface management, Berlin, Stiftung Wissenschaft und Politik, P. 74-82, [https://www.swp-berlin.org/publications/products/arbeitspapiere/WP\\_International\\_Sanctions.pdf](https://www.swp-berlin.org/publications/products/arbeitspapiere/WP_International_Sanctions.pdf)

Switzerland, along with IOs, notably the UN, should draw on the existing body of evidence-led recommendations to urgently prioritize a number of steps to address some of the worst impacts:

**1. Safeguard humanitarian banking channels and trade in essential goods to heavily sanctioned countries:**

- Make use of international or regional public financial institutions in contexts where access to the formal banking sector is no longer available or risks collapsing.
- Provide political and financial support to strengthen and mainstream special purpose vehicles (SPVs) and other mechanisms (like INSTEX and the Swiss Humanitarian Trade Agreement or SHTA) to be used on a more global basis.
- Explore greater use of technology that could play a beneficial role in the transparent tracking of legitimate funds to unbanked or poorly banked sanctioned jurisdictions (including for trade, NPO activities and the sending of remittances); streamline compliance and reduce costs. This could include forging of a better understanding of the role that could be played in mitigating de-risking through technologies such as artificial intelligence (AI), know-your-customer (KYC) utilities, big data, machine learning, distributed ledger technology (DLT; including Blockchain), cryptocurrencies and Central Bank Digital Currencies (CBDCs).

**2. Enhance compliance guidance, dialogue & capacity building across sectors:**

- Support and resource the creation of a global platform that coordinates the sharing of best practice between national trisector groups working to reduce and mitigate humanitarian impacts of sanctions and derisking and communicate findings that builds capacity.
- Provide financial support for banks and NPOs towards due diligence costs, including in relation to compliance checks and associated legal fees.
- Build a keener understanding on how to incentivize banks not to withdraw from sanctioned jurisdictions, particularly correspondents.
- Improve capacity and expertise among government departments and other relevant sectors (through training, dialogue and awareness-raising) on ways that unintended humanitarian consequences can stem from sanctions practices.

**3. Revised sanctions design & monitoring to account for humanitarian impacts:**

- Detailed assessments on humanitarian and public health impacts for all new and current sanctions regimes (to include expert input and periodic reviews).
- Use of broad standing exemptions across as many sanctions regimes as possible and at the point of sanctions design (and not when the humanitarian situation in a targeted country has already deteriorated).
- Better joint monitoring of multi-layered regimes (to understand cumulative impacts and mitigate negative humanitarian consequences collectively).
- Greater flexibility in strategic sanctions easing (that can be temporary and reversible) in contexts of humanitarian crises.<sup>20</sup>
- Assessment as to whether sweeping sectoral sanctions are an appropriate tool in contexts where public services – such as hospitals and schools – are already fragile

---

<sup>20</sup> Zuzana Hudáková, Thomas Biersteker and Erica Moret (2021) “Sanctions relaxation and conflict resolution: Lessons from past sanctions regimes”, Carter Center, October, [https://www.cartercenter.org/resources/pdfs/peace/conflict\\_resolution/sanctions-relaxation-10-2021.pdf](https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/sanctions-relaxation-10-2021.pdf)

at best, or non-existent at worse, in light of conflict, government mismanagement or protracted sanctions regimes.

- Collaboration across autonomous and multilateral sanctions regimes on sanctions flexibility (suspensions and reimposition, where required) that accounts for humanitarian needs.

In sum, a range of “sticking plaster” or “firefighting” initiatives – as outlined above – are urgently required to help slow down some of the most damaging impacts of contemporary sanctions practices. In parallel, more concerted action is required to address some of the drivers of these problems at their root.

*A new set of global principles on sanctions practice that minimizes humanitarian impacts*

The breadth and complexity of global sanctions practice has risen dramatically over the past decade, as have associated humanitarian impacts. This calls for a fundamental rethink of how sanctions are used and an adaptation in their design and implementation that reflects this new reality. Doing so, will help the United States and its partners achieve some key objectives.

First, it will help safeguard the legitimacy and effectiveness of sanctions in the years to come, through ensuring that this ever-popular tool does not hinder the flow of commodities and finance, essential goods and humanitarian action. Second, it will allow the United States and its partners to counter damaging narratives that seek to undermine the use of autonomous sanctions through disinformation campaigns. This is important as current communications serve to lessen support from non-Western countries that could otherwise play a vital role in supporting US and allied sanctions in cases such as Russia (such as through not filling commercial gaps or engaging in sanctions evasion or sanctions busting). Third, it will allow the United States to play a central role in establishing a new set of global principles or norms that will guide autonomous and multilateral sanctions use at a point where a growing number of actors from around the world, including China and Russia, are starting to use their own forms of autonomous sanctions and countermeasures with increased regularity outside multilateral frameworks. Fourth, it will help the US and the wider international community safeguard the livelihoods of vulnerable communities around the world and avoid a “financial exclusion vicious circle”, that could otherwise pose a threat to US strategic and national security interests and place it in breach of IHL and human rights law obligations.

To work towards these goals, a new engagement is being launched in late 2022 that seeks to establish a new set of non-binding global principles on sanctions practice. The *Advancing Humanitarianism through Sanctions Reform* (AHSR) project will engage with relevant stakeholders, including the US Government, in elaborating revised methodologies, strategies, and ethical principles to ensure that sanctions can be rendered a more effective, yet less damaging, tool that will benefit the international economic and security environment of the twenty-first century. It will build on previous multilateral sanctions reformulations — such as the Interlaken, Bonn/Berlin, and Stockholm processes—but also take into account the various sanctions focused, multi-stakeholder dialogues, initiatives and trisector groups active around the world today, alongside active Global South input.<sup>21</sup> This will be a international effort, but the US should ideally play a central role in helping shape the face of international sanctions practices towards a more humane footing in the months and years to come.

---

<sup>21</sup> The “Advancing Humanitarianism through Sanctions Reform” (AHSR) project is jointly coordinated by Alistair Millar, George Lopez and Erica Moret and works with a network of over 40 sanctions and humanitarian experts and practitioners. Please contact [erica.moret@graduateinstitute.ch](mailto:erica.moret@graduateinstitute.ch) for more details.